

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6697

BILL NUMBER: HB 1195

DATE PREPARED: Dec 11, 1998

BILL AMENDED:

SUBJECT: Health Maintenance Organization Liability.

FISCAL ANALYST: Alan Gossard

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**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill provides for a duty of ordinary care for health insurance carriers, health maintenance organizations (HMOs), and other managed care entities when making health care treatment decisions. The bill makes health insurance carriers, HMOs, and other managed care entities liable for harm resulting from health care treatment decisions that are made without exercising ordinary care. The bill also prohibits a health insurance carrier, HMO, or other managed care entity from removing a health care provider from, or renewing the status of the health care provider with, the health care plan for advocating on behalf of an insured or enrollee for appropriate and medically necessary care. The bill also prohibits contract indemnification or hold harmless clauses from applying to the acts or conduct of health insurance carriers, HMOs, and other managed care entities.

Effective Date: July 1, 1999.

Explanation of State Expenditures: This bill provides that insurance carriers and managed care organizations have the duty to exercise ordinary care when making health care treatment decisions and makes them liable for harm to an insured or enrollee that is proximately caused by the failure of the insurance carrier or managed care organization to exercise ordinary care. These provisions may result in additional litigation and claims expenses and additional costs for malpractice insurance to the health plans offered to state employees. The increased costs may be reflected in increased premiums and enrollment fees. Increased premiums and fees, however, may or may not result in additional costs to the state, depending upon administrative action as to the determination of the employer/employee cost share for health plan benefits.

Explanation of State Revenues:

Explanation of Local Expenditures: Similar to the state, increased premiums and enrollment fees may or may not result in additional costs to local governments and school corporations, depending upon administrative action as to the determination of the employer/employee cost share for health plan benefits.

offered to employees.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: Local Governments and School Corporations.

Information Sources: